

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 USIA-15 L-03 H-03 PA-04 PRS-01

SPC-03 SAM-01 AID-20 NSC-10 RSC-01 CIEP-02 TRSE-00

SS-20 STR-08 OMB-01 CEA-02 CIAE-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01 /170 W

----- 017121

R 311219Z JAN 74

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5204

INFO USDOC WASHDC

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY BONN

USNATO 1415

LIMITED OFFICIAL USE VALLETTA 0206

E.O. 11652: N/A

TAGS: EFIN, ETRD, ENRG, MT, US

SUBJ: REVISED EXCHANGE RATE FORMULA

DEPARTMENT PASS TREASURY

REF: A. VALLETTA 1423, JULY 12, 1973 B. VALLETTA A-203,
DEC 10, 1973

1. THE EXCHANGE RATE OF THE MALTA POUND AGAINST FOREIGN CURRENCIES IS BEING COMPUTED BY THE CENTRAL BANK ON THE BASIS OF A REVISED FORMULA AS OF JAN 30. THE MALTA POUND CONTINUES TO BE PEGGED TO A "BASKET" OF CURRENCIES RATHER THAN TO ANY SINGLE CURRENCY. THE U.S. DOLLAR, HOWEVER, HAS NOW BEEN INCLUDED DIRECTLY IN THIS BASKET. ACCORDING TO GOM DEPARTMENT OF INFORMATION, THIS REVISION HAS BEEN MADE "BECAUSE, DUE TO DEVELOPMENTS IN THE ENERGY SECTOR, A MUCH LARGER PART OF MALTA'S
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FOREIGN TRADE THAN HITHERTO IS EXPECTED TO BE DENOMI-

NATED IN US DOLLARS."

2. MALTA BROKE PARITY WITH STERLING IN AUGUST 1971 (SEE REFTEL) AND DECIDED THAT THE LEVEL OF THE MALTA POUND SHOULD BE DETERMINED AT A LEVEL BETWEEN THAT OF STERLING AND THAT OF THE CURRENCIES OF OTHER MAJOR EUROPEAN COUNTRIES WITH WHICH MALTA TRADES IN ORDER TO PROTECT THE COUNTRY FROM THE WORST EFFECTS OF IMPORTED INFLATION.

3. COMMENT: THE MALTA POUND HAS UNTIL RECENTLY TENDED TO FLOAT WITH THE GERMAN MARK. TWO FACTORS WHICH HAVE APPARENTLY AFFECTED THE CENTRAL BANK'S DECISION TO INCLUDE THE DOLLAR IN THE BASKET PEG ARE THE CURRENT ENERGY CRISIS, WHICH PROMISES TO HAVE A SERIOUSLY ADVERSE EFFECT ON MALTA'S BALANCE OF PAYMENTS, AND A RECENT UPWARD TREND IN US SHARE OF THE MALTA MARKET. US GOODS AS A PERCENTAGE OF MALTA'S TOTAL IMPORTS HAVE INCREASED FROM 4.6 PERCENT IN CALENDAR YEAR 1971 TO 6.6 PERCENT DURING THE FIRST THREE QUARTERS OF 1973 (SEE REF B). MALTA'S ADVERSE TRADE BALANCE WITH US INCREASED FROM 2.1 MILLION MALTA POUNDS IN 1971 TO 3.2 MILLION MALTA POUNDS DURING THE FIRST THREE QUARTERS OF 1973 (ONE MALTA POUND EQUALS APPROXIMATELY DOLS 2.52). DECONTROL AFTER JAN 31, 1975.GETZ

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Message Attributes

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30 JUN 2005

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